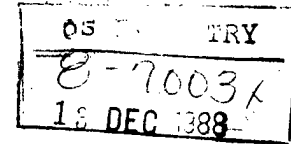




WASHINGTON

August 3, 1988



MEMORANDUM FOR: Members, Interagency Group/Counterintelligence
SUBJECT: Background on Bank Secrecy Act (U)

As you may recall, at the recent IG/CI meeting I discussed the Bank Secrecy Act (BSA) and suggested that BSA data might be useful in the course of conducting counterintelligence investigations. The following is a brief explanation of the Act along with information on how to request BSA data. (C)

The Bank Secrecy Act was enacted in 1970 and gives the Department of the Treasury broad authority to require the maintenance of records and the filing of reports that have been determined to have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The law was passed with the hope that the requirement to report the sources, volumes, and movements of domestic and international currency would reveal a variety of criminal activities, including drug trafficking and tax evasion (and potentially, espionage.) (U)

Treasury has imposed three major reporting requirements under the Act. They are:

1. The Currency Transaction Report (CTR)- This requires designated types of financial institutions report all types of cash transactions by, through, or to those institutions in excess of \$10,000. Financial institutions subject to this requirement include banks, savings and loans, credit unions, securities brokers and dealers, foreign currency brokers, and several categories of miscellaneous financial institutions such as casinos, check cashers, and currency exchanges.
2. The Currency or Monetary Instrument Report (CMIR)- This requires all persons report the import or export of currency or monetary instruments in excess of \$10,000 into or out of the United States.

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3. The Foreign Bank Account Report (FBAR)- This requires all persons subject to the jurisdiction of the United States make an annual report of their interests in foreign bank accounts. (U)

In addition, the Act and the regulations require financial institutions to maintain a variety of records (such as copies of signature cards, bank statements, and checks drawn for more than \$100) for a five year period. Records required to be kept under the Act, unlike BSA reports, generally may be examined by law enforcement authorities only for the purpose of assuring compliance with the Act's requirements; in other cases, authorities must obtain subpoenas or comply with other legal provisions. (U)

Clearly, the records and reports required under the Act could be of use in the course of conducting investigations of U.S. citizens suspected of committing espionage. In fact, if the BSA has been violated by an alleged spy in the course of handling his ill-gotten gains, such violations might make for a more provable criminal case. (C)

The United States Customs Service is responsible for maintaining the combined data base for all BSA information. Within Customs, the Financial Intelligence Branch is responsible for the analysis and dissemination of BSA data for a variety of law enforcement (and other) purposes. The formal dissemination guidelines for release of BSA are presently under review and amendment within the Treasury Department. Customs does, however, now have the authority to receive and act on requests from the Intelligence Community for BSA data. The Office of Intelligence at Customs advises that requests from the Intelligence Community should state explicitly that they are for intelligence or counterintelligence purposes. All requests must be in writing unless exigent circumstances apply. (U)

Cable requests to Customs should be addressed as follows:

-Classified -- RUEBMRA/Headquarters U.S. Customs Service,
Washington, D.C.//Office of Intelligence

-Unclassified -- RUEVHAD/Headquarters U.S. Customs Service
Washington, D.C.//Office of Intelligence (C)

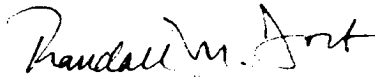
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The appropriate mailing address is as follows:

U.S. Customs Service
Director, Office of Intelligence
Room 5212
1301 Constitution Ave. NW
Washington, D.C. 20229 (U)

The Director, Office of Intelligence can be reached by telephone at (202) 535-6600 (they are equipped with STU-III telephones for secure voice transmissions.) (U)

I hope this information is useful. If there are any further questions or problems, please do not hesitate to contact me. (U)



Randall M. Fort
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(National Security)

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